

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Monroe County Building Authority	County Monroe
Audit Date December 31, 2005	Opinion Date March 9, 2006	Date Accountant Report Submitted to State: April 12, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

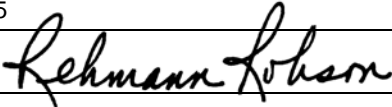
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI
Accountant Signature 		Zip 48605	

**MONROE COUNTY  
BUILDING AUTHORITY**

**Basic Financial Statements**

**For The Year Ended December 31, 2005**



**REHMANN ROBSON**

*Certified Public Accountants*

MONROE COUNTY BUILDING AUTHORITY

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**REHMANN ROBSON**

*Certified Public Accountants*

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INTERNATIONAL

**INDEPENDENT AUDITORS' REPORT**

March 9, 2006

To the Commissioners of the  
Monroe County Building Authority Board  
Monroe, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the ***Monroe County Building Authority, a component unit of Monroe County***, as of and for the year ended December 31, 2005, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Monroe County Building Authority. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Monroe County Building Authority as of December 31, 2005, and the respective changes in its financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.



# **BASIC FINANCIAL STATEMENTS**

**MONROE COUNTY BUILDING AUTHORITY**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**December 31, 2005**

	Debt Service Funds					Capital Projects Fund	Total Governmental Funds	Adjustments	Statement of Net Assets
	Law Enforcement	County Facilities	Mental Health	Library Renovation	M-50 Health Building	County Facilities			
<b>Assets</b>									
Cash and cash equivalents	\$ 15,561	\$ 1,840	\$ -	\$ 256	\$ 64,310	\$ 1,893,590	\$ 1,975,557	\$ -	\$ 1,975,557
Due from Monroe County	-	-	-	-	-	-	-	-	-
Leases receivable	-	-	-	-	-	-	-	7,172,978	7,172,978
<b>Total assets</b>	<u>\$ 15,561</u>	<u>\$ 1,840</u>	<u>\$ -</u>	<u>\$ 256</u>	<u>\$ 64,310</u>	<u>\$ 1,893,590</u>	<u>\$ 1,975,557</u>	<u>7,172,978</u>	<u>9,148,535</u>
<b>Liabilities</b>									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued interest payable	-	-	-	-	-	-	-	77,978	77,978
Long-term liabilities:									
Due within one year	-	-	-	-	-	-	-	1,310,000	1,310,000
Due in more than one year	-	-	-	-	-	-	-	5,785,000	5,785,000
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,172,978</u>	<u>7,172,978</u>
<b>Fund balances</b>									
Unreserved, undesignated	15,561	1,840	-	256	64,310	1,893,590	1,975,557	(1,975,557)	-
<b>Total liabilities and fund balances</b>	<u>\$ 15,561</u>	<u>\$ 1,840</u>	<u>\$ -</u>	<u>\$ 256</u>	<u>\$ 64,310</u>	<u>\$ 1,893,590</u>	<u>\$ 1,975,557</u>		
<b>Net assets</b>									
Restricted for debt service								81,967	81,967
Restricted for construction								1,893,590	1,893,590
<b>Total net assets</b>								<u>\$ 1,975,557</u>	<u>\$ 1,975,557</u>

The accompanying notes are an integral part of these financial statements.

**MONROE COUNTY BUILDING AUTHORITY**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balances**  
**For the Year Ended December 31, 2005**

	<b>Debt Service Funds</b>					<b>Capital Projects Fund County Facilities</b>	<b>Total Governmental Funds</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
	<b>Law Enforcement</b>	<b>County Facilities</b>	<b>Mental Health</b>	<b>Library Renovation</b>	<b>M-50 Health Building</b>				
<b>Revenues</b>									
Interest and rental income	\$ 508	\$ 1,778	\$ 10,445	\$ 431,375	\$ 42,473	\$ 54,935	\$ 541,514	\$ (701,371)	\$ (159,857)
<b>Expenditures / expenses</b>									
Capital improvements and acquisitions	-	-	-	-	-	4,078	4,078	-	4,078
Debt service:									
Principal	595,000	310,000	-	400,000	175,000	-	1,480,000	(1,480,000)	-
Interest and fiscal charges	45,900	259,490	-	31,375	17,563	-	354,328	(18,873)	335,455
Total expenditures / expenses	640,900	569,490	-	431,375	192,563	4,078	1,838,406	(1,498,873)	339,533
Revenues over (under) expenditures	(640,392)	(567,712)	10,445	-	(150,090)	50,857	(1,296,892)	797,502	(499,390)
<b>Other financing sources (uses)</b>									
Transfers from Monroe County	640,375	568,700	-	-	81,700	-	1,290,775	(1,290,775)	-
Transfers to Monroe County	-	-	(493,273)	-	-	-	(493,273)	493,273	-
Total other financing sources (uses)	640,375	568,700	(493,273)	-	81,700	-	797,502	(797,502)	-
Net change in fund balances	(17)	988	(482,828)	-	(68,390)	50,857	(499,390)	499,390	-
Change in net assets	-	-	-	-	-	-	-	(499,390)	(499,390)
<b>Fund balances / net assets</b>									
Beginning of year, as restated	15,578	852	482,828	256	132,700	1,842,733	2,474,947	-	2,474,947
<b>End of year</b>	<u>\$ 15,561</u>	<u>\$ 1,840</u>	<u>\$ -</u>	<u>\$ 256</u>	<u>\$ 64,310</u>	<u>\$ 1,893,590</u>	<u>\$ 1,975,557</u>	<u>\$ -</u>	<u>\$ 1,975,557</u>

The accompanying notes are an integral part of these financial statements.

# MONROE COUNTY BUILDING AUTHORITY

## Notes To Basic Financial Statements

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Monroe County Building Authority (the “Authority”) was established on February 13, 1972 pursuant to Public Act 31 of 1948. The Authority is governed by a 5-member board appointed by the Monroe County Board of Commissioners for 6-year terms. The purpose of the Authority is to finance and construct the County’s public buildings. The Authority enters into various lease agreements with Monroe County (the “County”) covering buildings constructed by the Authority (*see Note 3*).

**Reporting Entity** – These financial statements present the financial position and the results of operations of a blended component unit of the County and are an integral part of that reporting entity.

**Authority-wide and Fund Financial Statements** – As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined authority-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to authority-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** – The authority-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.



# MONROE COUNTY BUILDING AUTHORITY

## Notes To Basic Financial Statements

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The Authority reports the following major governmental funds:

**Debt Service Funds:**

Law Enforcement	(1994 bond issue)
County Facilities	(1998B bond issue)
Mental Health	(1991 bond issue)
Library Renovation	(1998 bond issue)
M-50 Health Building	(1990 bond issue)

**Capital Projects Fund –  
County Facilities**

*Debt service funds* account for the accumulation of resources for, and the payment of, interest and principal on bonded debt.

*Capital projects funds* account for the use of resources, primarily bond proceeds, in constructing or acquiring capital assets, including buildings.

As a general rule the effect of interfund activity, if any, has been eliminated from the authority-wide financial statements.

***Cash and Cash Equivalents*** – The Authority’s cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three months or less from the date of acquisition. State statutes authorize local governments to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations.

***Long-term Obligations*** – In the authority-wide financial statements, long-term debt is reported as a liability. Bond discounts, premiums, issuance costs and refunding losses, if any, are deferred and amortized over the life of the applicable bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount, premium and deferred loss, if any. Bond issuance costs, if any, are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Discounts or premiums on debt issuances are reported as other financing uses or sources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# MONROE COUNTY BUILDING AUTHORITY

## Notes To Basic Financial Statements

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**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

### 2. DEPOSITS

At year-end, the carrying amount of the Authority's deposits was \$1,975,557 and the bank balance was \$1,975,969. Of the bank balance, \$200,000 was covered by federal depository insurance; the remaining balance of \$1,775,969 was insured and uncollateralized.

### 3. LEASES RECEIVABLE

The Authority has entered into various lease agreements with the County for buildings acquired or constructed by the Authority. These agreements generally terminate with the retirement of the related bond issues. Leases receivable are reported at an amount equal to the lesser of the actual bond-financed construction costs incurred to date or the outstanding bond principal (plus accrued interest). Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, title to the leased property is passed to the County.

Under the accrual basis of accounting and the provisions of FASB (Financial Accounting Standards Board) Statement No. 13, *Accounting for Leases*, the Authority's leases are classified as sales leases. As a result, leases receivable are recognized in the accompanying statement of net assets, whereas capital assets are not.

All lease agreements provide for the lessee to use, operate and maintain the property, at its own expense, subject to the terms and conditions of the agreements.

# MONROE COUNTY BUILDING AUTHORITY

## Notes To Basic Financial Statements

### 4. LONG-TERM DEBT

Following is a summary of the Authority's debt outstanding as of December 31, 2005:

	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Outstanding Principal</u>
<b>General Obligation Limited Tax Bonds</b>			
1990 Building Authority	6.5-9.0%	2006	\$ 175,000
1994 Building Authority Refunding	3.0-5.0%	2006	610,000
1998 Building Authority	3.8-4.5%	2008	500,000
1998B Building Authority	4.0-6.0%	2018	<u>5,810,000</u>
			<u><b>\$ 7,095,000</b></u>

Annual debt service requirements to maturity for the Authority's debt are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,310,000	\$ 278,803
2007	590,000	227,952
2008	410,000	201,795
2009	375,000	183,900
2010	395,000	168,500
2011-2015	2,305,000	582,100
2016-2018	<u>1,710,000</u>	<u>105,000</u>
<b>Total</b>	<u><b>\$ 7,095,000</b></u>	<u><b>\$ 1,748,050</b></u>

# MONROE COUNTY BUILDING AUTHORITY

## Notes To Basic Financial Statements

*Changes in Long-Term Debt.* Long-term liability activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation limited tax bonds	<u>\$ 8,575,000</u>	<u>\$ -</u>	<u>\$(1,480,000)</u>	<u>\$ 7,095,000</u>	<u>\$ 1,310,000</u>

### 5. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental funds balance sheet and the authority-wide statement of net assets, which reconciles fund balances to net assets:

<b>Fund balances</b>	\$ 1,975,557
<b>Adjustments:</b>	
Leases receivable are not <i>current financial resources</i> and therefore are not reported in the governmental funds	7,172,978
Bonds payable are not due and payable in the current period and therefore not reported in the governmental funds	(7,095,000)
Accrued interest payable on bonds is not recorded by governmental funds	<u>(77,978)</u>
<b>Net assets</b>	<u><b>\$ 1,975,557</b></u>

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the authority-wide statement of activities, which reconciles the net change in fund balances to the change in net assets:

# MONROE COUNTY BUILDING AUTHORITY

## Notes To Basic Financial Statements

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Net change in fund balances	\$ 499,390
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**Adjustments:**

Amounts received for the payment of certain bond principal and interest is recorded in the funds as other financing sources. For the statement of Activities, the other financing sources are eliminated with that portion of the receipts that pertain to bond interest being recognized as rental revenues.

Rental revenues	(701,371)
Transfers from Monroe County	(1,290,775)
Transfers to Monroe County	493,273

Repayment of bond and note principal is an expenditure in the funds, but the repayment reduces long-term liabilities for <i>net assets</i>	1,480,000
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Accrued interest expense on bonds are not recorded by governmental funds but are reported for purposes of <i>net assets</i>	<u>18,873</u>
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Change in net assets	<u><u>\$ 499,390</u></u>
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### 6. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. During the year ended December 31, 2005, the Authority participated under the County's membership in the Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool serving various local governments in Michigan. Further information regarding the County's participation in MMRMA is presented in the County's comprehensive annual financial report.

### 7. RESTATEMENT

The prior year financial statements inappropriately included the Capital Improvements Capital Projects Fund. This fund is excluded from the accompanying financial statements; as a result, beginning net assets are reduced or restated by \$97,866.

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